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Budgeted Costs for the Cotton Mill

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(Boston Office)

The purpose of this article is to describe a simple and practical application of the budget idea to the manufacturing costs of a cotton mill.

Budgeted costs are so called because they are predetermined from forecasts or budgets of manufacturing expenditures and production. Control is exercised by subsequent comparisons with the actual costs, the causes for the differences being determined and such corrective measures instituted as appear feasible. Such costs are commonly known as standard costs, but to attain their greatest usefulness the principle of budgetary control must be carried out by frequent comparison of the standards with the actual performance.

In the cotton industry this idea is especially applicable to control of mill labor and mill overhead costs, but not to cotton costs, which are subject to control only through purchases of cotton in relation to sales of goods. Probably there is no other plan so readily and inexpensively operated which offers as effective a means of controlling labor and overhead costs or what are usually called "mill costs."

In the great majority of cases standard mill costs are based upon operation of all available equipment. Should it appear, however, that there is little or no hope of obtaining enough business to take up the entire capacity, then there may be justification for calculating the standards on the basis of whatever portion of the mill can be kept permanently busy. In effect, the size of the mill is thus reduced to conform with the volume of business obtainable. Overhead expenses so far as possible should be reduced accordingly.

Most mills today are operating two shifts, each of 40 hours per week, as allowed under the Cotton Textile Code. In fact those engaged upon competitive fabrics must conform to the operation schedule of others producing similar goods, or at least must figure costs in accordance with such a schedule in order to arrive at selling prices in line with those of competitors. In any event, the standards should be set in accordance with the company's regular and permanent time schedule. However, if the mill operates more than one shift, consideration should be given to whether a single set of standard labor costs will fairly represent the expected performance of both, or whether each shift should have its own standards. The first method is the simpler, and consequently less expensive to carry out. It provides a common gauge for measuring the performance of both shifts and serves the purpose when, because of the character of the goods produced, there should be no marked difference in efficiency as between night and day work. The second method recognizes such a difference in effi-

ciency, and gauges the performance of the day-time work separately from that of the night.

Once established, the standards should be adjusted or entirely reset only to reflect changes in conditions such as a permanent change in hours of operation, adjustments of wages paid operatives, substantial modification of expenditures for mill overhead expenses, or when the periodical comparisons of standard and actual costs, to be described later, show that the standards are too low or too high.

The first step in the setting of standard costs is a listing of productive operations and service departments, of which the following is an example:

Productive Operations

Carding department:
- Opening and picking
- Cards
- Drawing
- Slubber roving
- Intermediate roving
- Fine roving

Spinning department:
- Spinning
- Twisting
- Spooling

Warping and slashing department:
- Warping
- Slashing

Weaving

Cloth room

Service Departments

Yard (includes raw material storage)
Machine shop
Carpenter shop
Electric shop
Power house
Supply store
Watchmen

The above represents the comparatively simple organization of a grey mill, that is, one that sells its products unfinished and has therefore no dyeing, bleaching or other finishing operations. It will serve to indicate what is meant when in the following pages operations of the mill are referred to. A brief description of the products obtained from the various operations listed above also will be helpful.

Productive Operations

Carding: The production of opening and picking is called picker lap, and often is made in several weights (ounces) per yard of length. That of the cards and drawing frames is named sliver, and also is produced in a number of different weights (grains) per yard. The product of the roving operations, slubber roving, intermediate roving and fine roving, is made in a number of different sizes called hanks, that is, 1 hank roving is of such a size or diameter that one pound is 840 yards long, while 2 hank and 3 hank roving, respectively, are twice and three times as fine with lengths of 1,680 and 2,520 yards to the pound, and so on.

Spinning: Spinning produces single yarn, and twisting puts two or more single yarns into ply yarn. Spooling may be applied to either single or ply yarn in preparation for warping. Yarns are designated by count number and ply number, thus, 20s 2 ply or 20/2. Ply number refers to the number of strands of single yarn in the ply yarn, while the count indicates the degree of fineness of single yarn, either by itself or contained in ply yarn. The counts of cotton yarn are numbered on the same basis as hanks of roving mentioned above, that is, a pound of 20s yarn would be (840x20) 16,800 yards long.

Warping and slashing: Warping results in section beams, which are large spools, each containing several hundred pounds of warp yarn (lengthwise

threads of the cloth) in a specified number of ends, length, ply and count. The function of slashing is to run a number of section beams together on to one loom beam in order to obtain a desired total number of ends for the warp of a particular fabric, and at the same time to pass the warp through a sizing compound which strengthens it against the strains of weaving.

Weaving: The operation of weaving produces cloth by interlacing crosswise threads or filling yarn, often on the bobbins as they come from spinning frame, with the warp threads of the loom beam. The weight of the cloth or the yards per pound is governed by the number of warp ends per inch in the width and the number of filling threads or picks per inch in the length, together with the ply and count of both. The various weights or qualities of cloth are often designated by style names, letters or numbers.

Cloth Room

Ordinarily the cloth room is the last operation in a grey mill. In this room the cloth is inspected, imperfections are repaired, and the seconds are segregated. It is measured and put up into bales, cases or whatever kind of package is used for shipment to customers.

Setting Standard Labor Costs

The method employed for setting the standard labor costs is the same in principle for all operations but differs somewhat in its application. Briefly stated, it calls for determining the pounds or yards of production which may reasonably be expected from the machines of an operative for a specified period together with a forecast of the wages to be paid for operating the machines for the same period and dividing the former into the latter.

The quantity of production which may reasonably be expected is referred to as standard production, and is arrived at by first calculating what is called theoretical production, a term applied to the quantity which might be obtained from the machines operating continuously without stoppages for repairs, adjustments, doffing or for any other purpose. The theoretical production being determined, the overseer in charge is usually consulted as to what allowance should be made for normal stoppage and what percentage of the theoretical production can actually be obtained. The latter is called the percentage of efficiency and is applied to theoretical production to arrive at a quantity representing standard production.

The overseer is also consulted as to the number of hands required to tend the machines of an operation and the amounts of their weekly wages. His estimates in this respect as well as those in connection with standard production should be carefully considered and discussed with him as to their reasonableness. He is brought into the matter at this point because of his knowledge of the particular conditions but more especially so that he may have a voice in setting the goal which later he will be expected to attain.

Let us take for illustration the first and simplest operation, opening and picking. This is organized differently in various mills, depending upon the character of the yarn or goods made. There may be as many as four subsidiary operations prior to the final or finisher picker, as follows:

Bale breaker
Opener
Breaker picker
Intermediate picker
Finisher picker

The objects of these operations are to open up the matted fiber from the compressed bale, to mix the contents of a number of bales, partially to clean the cotton, and, finally, on the finisher picker, to form it into a layer, usually forty inches wide, and compactly rolled into a cylindrical shape, which is called a lap and is suitable for feeding into the cards at the next operation. The breaker and intermediate pickers also produce laps, but for cost purposes these are considered only as preparing the stock for the finisher picker, the cost of all the operations being applied to the product of the last or finisher picker. In some picker rooms the work of the three pickers mentioned is combined into one operation.

At the delivery end of the finisher picker there are a number of calendar rolls, of which (for cost purposes) we are interested in the bottom one. It may often be readily identified by its connection with the measuring motion, a device for stopping the machine when a specified length of lap has been wound upon the lap roll. In any event it should be the roll which operates to deliver the finished lap so that one revolution will produce a length of lap equal to the circumference of the roll. We must determine the revolutions per minute and the diameter of the delivery roll, together with the standard weight in ounces per yard of the lap to be produced and the total number of machine units (finisher pickers) to be operated.

With these data the theoretical production of pounds for a week may be calculated by the following formula:

$$\frac{\text{Diameter of Delivery Roll (inches)} \times 3.1416 \times \text{Revolutions per Minute} \times \text{Total Operating Minutes per Week} \times \text{Ounces per Yard of Lap} \times \text{Number of Machine Units}}{\text{36 inches per yard} \times \text{16 ounces per pound}}$$

The standard production for one week is obtained by applying to the result of the above calculation the percentage of efficiency arrived at as already explained.

A careful estimate is then made with the assistance of the overseer of the number of hands required to operate the opening and picking group of machines and the total amount of their weekly wages, including those of the second hand directly in charge and of his assistant, if he has one. The total should also include a fair proportion of the wages of the overseer in general charge of the carding department, of which opening and picking is a part.

We now have the standard production for a week and the corresponding total wages. The former divided into the latter gives the standard labor cost per pound, for a particular weight per yard of lap. When two or more weights of lap are made, the standard weekly production is calculated separately for each as if all the machine units (finisher pickers) were operating on that weight.

The scope of this article is not intended to cover a detailed description of setting standard labor costs for the operations subsequent to opening and picking which will be discussed only in the briefest and most general way. The procedure for all of them prior to warping is almost identical with that for opening and picking. The formulæ for arriving at theoretical production contain similar constants and variables but the products have a

greater variety in degree of fineness or weight per unit of length (expressed in the formula for opening and picking as "ounces per yard of lap"). At the spinning it may be necessary to differentiate the labor forecasts in accordance with the expected degrees of fineness or counts of the yarns to be produced. Many of the operations have several and some, as for example, spinning, a large number of deliveries on one machine, each of which must be regarded as one machine unit for purposes of the theoretical production formula.

For determination of theoretical production in warping and slashing the same variables are made use of as in the prior operations, together with the additional factors of number of ends and standard lengths of the warps.

Usually in the weave room the standard labor costs are calculated per yard instead of per pound and the variables in arriving at theoretical production are the number of picks of filling yarn (crosswise threads of the cloth) per inch of length and the number of picks per minute at which the looms are to be operated.

The cloth room presents a problem by itself which may be simple or complex, depending upon the character of the mill's product. It may be so simple as to require only one average labor cost for all styles, or it may be necessary to time-study numerous special operations carried on in this room.

A separate standard must be established for each weight, hank, count or other description of product from each operation of the mill.

Where workers are paid on the basis of piece work the costs are first determined only for the wages paid to day workers connected with the particular operation. To the results so obtained the piece work rates are added to arrive at the standard labor costs. Ordinarily there are some day workers in each operation of a mill.

Labor Cost Control

The discussion of labor costs thus far has been devoted to establishing the standards, but now we come to a principal control feature of the plan. The standards offer a means of measuring the actual labor costs and determining whether the mill is operating within the costs on the basis of which, at least in part, goods are being offered in the market. Each week the quantities produced in the respective operations are multiplied by the corresponding standard labor costs, the results representing the amounts of wages which, on the basis of the standards, ought to have been paid for the volume produced. These amounts are compared with those of the actual payroll and the resulting gain or loss is determined. An illustrative form of weekly labor loss and gain report is shown on the next page.

The amounts in the first column of that report are the result of applying the standard labor costs to the production of each operation, and represent the amounts of wages which on the basis of the standards should have been paid for the volume produced. The second column shows the actual wages paid, and the differences appear in the third column. A summary is also shown of the losses and gains for a thirteen-week period.

The duty of determining the causes for the differences should be assigned to some one who well understands the operations of the mill. It may be that production was less than the standard quantities on which the costs were based or that the amounts of wages

TEXTILE MILLS, INC.

LABOR LOSS AND GAIN REPORT — Week Ended July 1, 1933

(Items in italics represent losses which if typewritten would appear in red)

Operations	Standard Payroll (production X standard rates)	Actual Payroll	Variance		Summary of 13 Weeks to Date	
			Loss Gain	% to Standard	*Loss* Gain	% to Standard
Opening and picking	$443.74	$460.29	*$16.55*	*3.7*	*$182.21*	*3.5*
Cards	1,085.08	1,108.33	*23.25*	*2.1*	*325.24*	*2.5*
Drawing	636.64	709.79	*73.15*	*11.5*	*33.56*	*5.5*
Slubbers	823.27	863.72	*40.45*	*4.9*	3.20	.4
Intermediate	530.05	570.38	*40.33*	*7.6*	*15.09*	*3.0*
Fine roving	560.10	610.11	*50.01*	*8.9*	*16.50*	*3.2*
Carding department	4,078.88	4,322.62	*243.74*	*6.0*	*569.40*	*3.0*
Spinning	5,725.96	6,135.88	*409.92*	*7.2*	*1,872.15*	*2.9*
Twisting	570.32	601.19	*30.87*	*5.4*	*242.09*	*3.1*
Spooling	580.13	647.05	*66.92*	*11.5*	*287.34*	*3.4*
Spinning department	6,876.41	7,384.12	*507.71*	*7.4*	*2,401.58*	*2.6*
Warping	220.13	207.87	12.26	5.6	28.67	1.1
Slashing	460.76	457.95	2.81	.6	119.63	2.3
Drawing-in	441.10	432.89	8.21	1.9	88.44	1.7
Warping and slashing department	1,121.99	1,098.71	23.28	2.1	236.74	1.8
Weaving:						
Room No. 1	3,240.17	3,481.46	*241.29*	*7.4*	*1,638.22*	*4.2*
Room No. 2	2,675.89	2,645.91	29.98	1.1	586.37	1.06
Room No. 3	2,290.65	2,228.13	62.52	2.7	521.25	2.0
Weaving department	8,206.71	8,355.50	*148.79*	*1.8*	*530.60*	*.5*
Cloth room	1,472.42	1,500.51	*28.09*	*1.9*	*195.47*	*1.0*
Totals	$21,756.41	$22,661.46	*$905.05*	*4.2*	*$3,460.31*	*1.4*

paid were more, either because of employing more people or because the rates paid were higher than planned at the outset. Such a study should indicate clearly the needed corrective action which, however, it may not be feasible to put into immediate effect.

It is impossible, of course, to meet the standards exactly, but the object is to keep the differences on the right side or the losses at negligible amounts. One week's showing by itself may not be a sound basis for action, but if losses appear over several weeks corrective measures should be considered. The answer may be that the standards as set are too low, too difficult of attainment and should be adjusted without delay. Overseers ought to be consulted because they had a substantial part in setting the standards and now have an opportunity of making good or revising their estimates. When losses are due to lack of enough business to warrant standard production, it may not be possible fully to correct them, but even

then they can be controlled to a considerable extent and kept at minimum amounts.

If there should be substantial gains which appear to be the result of permanent conditions, the usual corrective action is to change the standards accordingly with a possible result that goods may be offered at somewhat lower prices.

Excellent results have been obtained by circulating among overseers the weekly reports of labor losses and gains. Strong competition for the best showing was developed which was definitely reflected in improved results.

Setting Standard Overhead Costs

Before standard overhead costs can be established, a budget of expense must be prepared. Usually this is a forecast for a forthcoming year, showing estimated amounts for various kinds of expenses before any distributions or allocations to operations or departments are made. The classification of the budget should be arranged so that each item may have a corresponding ledger account in which later the actual expenses of the same kinds will be accumulated.

The items of the budget then are distributed among the different mill operations by various methods designed to reflect so far as possible the incidence or bearing of the expenses upon the respective operations. When this is completed, and an amount for overhead expense is arrived at, reduced to a weekly basis for each operation, the standard overhead costs are derived by means of the same production data as for the labor costs, that is, the standard weekly production of each weight, hank, count or other description of product for an operation is divided into the overhead budget amount allocated to that operation but adjusted to represent the proportionate amount for one week.

Overhead Cost Control

Control of overhead costs is exercised in much the same way as already described for labor except that once a month instead of weekly is sufficient for comparison of the actual costs with standards. Usually two reports are prepared, the first of which compares the actual expenses with those budgeted at the outset, as shown in the illustration on the next page.

For purposes of the first report, the budget is used in its original classification corresponding with the ledger accounts in which the actual expenses are accumulated, but its amounts, which ordinarily represent a forecast for a year, are adjusted to conform with the period for which the statement is prepared. The differences shown represent the variations in actual overhead costs arising from differences in the actual expenditures from those originally planned and used in the construction of the standard overhead costs.

For the second report the quantities produced of the various items at each operation are multiplied by the corresponding overhead standard costs to arrive at overhead totals applicable to or earned by the actual production on the basis of the standards. These amounts are compared with the budget as distributed to operations, but adjusted to conform with the period for which the report is made. Here the differences represent the variations in actual overhead costs by reason of differences in production from that expected when the standard overhead costs were established. An illustration of this report is shown on the second page following.

TEXTILE MILLS, INC.

OVERHEAD BUDGET COMPARED WITH ACTUAL EXPENSES

(First overhead report)

Thirteen Weeks Period Ended July 1, 1933

(Items in italics represent losses which if typewritten would appear in red)

Class of Expense	Budget	Actual	Gain / *Loss*
Payrolls of service departments:			
Yard	$7,740.00	$8,401.50	*$661.50*
Trucking	2,257.00	2,550.20	*293.20*
Machine shop	7,254.00	6,815.20	438.80
Electric shop	850.00	927.00	*77.00*
Carpenter shop	1,350.00	1,518.20	*168.20*
Boiler room	1,713.00	1,698.80	14.20
Power	1,800.00	2,111.10	*311.10*
Watchmen	1,525.50	1,629.70	*104.20*
Mill office and clerks	9,150.00	10,483.70	*1,333.70*
Total payrolls service departments	33,639.50	36,135.40	*2,495.90*
Superintendence	10,000.00	10,000.00	.....
Mill office supplies and expense	395.00	1,092.02	*697.02*
Mill telephone and telegraph	819.00	474.00	345.00
Electric power purchased	20,125.00	19,311.26	813.74
Fuel consumed	9,450.00	7,445.30	2,004.70
Supplies consumed	50,500.00	54,469.34	*3,969.34*
Purchased repairs	3,500.00	3,004.49	495.51
Repairs by own organization	5,000.00	6,010.35	*1,010.35*
Depreciation	21,173.00	21,173.00	.....
Insurance	4,700.00	4,321.40	378.60
State and local taxes	21,850.00	21,909.10	*59.10*
General mill expense	1,650.00	1,531.98	118.02
Totals	$182,801.50	$186,877.64	*$4,076.14*

Since both the actual expenditures (first report) and the earned overhead (second report) are compared as just explained with the budget classified in two ways but the same in total amount, the net total of the differences shown on both of these reports represents the net or total overhead loss or gain. At the foot of the second overhead report a summary is shown which combines the results of both reports to arrive at total overhead loss.

These overhead reports are more significant when they are prepared cumulatively throughout the fiscal year. Reports for a single month by itself may be misleading. The first report illustrated may indicate that too much money is being expended for variable and controllable expenses. Economies must be put into effect or the budget adjusted to cover the higher amounts and the standard overhead costs changed accordingly.

The second report may indicate that production is out of line with what was planned at the outset and the remedy may be found in improved production, or, if that be impossible, an adjustment of the standard production may have to be made with corresponding changes in the costs, but if business available is insufficient to operate the mill on a fair standard volume, losses are bound to appear. The remedy for this is obvious, but may be unavoidably delayed.

TEXTILE MILLS, INC.

OVERHEAD EARNED (at standard overhead rates) COMPARED WITH BUDGET
(Second overhead report)

Thirteen Weeks Period Ended July 1, 1933

(Items in italics represent losses which if typewritten would appear in red)

Operation	Earned (at standard rates)	Budget	Gain *Loss*	% Production to Standard (ratio of earned to budget)
Opening and picking	$7,821.70	$8,205.28	*$383.58*	
Cards	10,633.92	11,075.20	*441.28*	
Drawing	5,509.03	5,832.87	*323.84*	
Slubbers	4,400.11	4,496.08	*95.97*	
Intermediates	5,791.66	6,054.80	*263.14*	
Fine roving	6,184.73	6,533.63	*348.90*	
Total carding	40,341.15	42,197.86	*1,856.71*	95.6
Spinning	54,740.27	58,609.68	*3,869.41*	
Twisting	3,734.94	3,981.18	*246.24*	
Spooling	3,571.68	3,840.50	*268.82*	
Total spinning, etc	62,046.89	66,431.36	*4,384.47*	93.4
Warping	2,049.36	2,000.00	49.36	
Slashing	8,057.56	7,860.14	197.42	
Drawing-in	1,022.79	998.11	24.68	
Total warping, etc	11,129.71	10,858.25	271.46	102.5
Weaving:				
Weave room No. 1	24,692.34	24,210.23	482.11	
Weave room No. 2	20,627.26	19,781.66	845.60	
Weave room No. 3	15,805.84	15,353.20	452.64	
Total weaving	61,125.44	59,345.09	1,780.35	103.0
Cloth room	4,028.47	3,968.94	59.53	101.5
Totals	$178,671.66	$182,801.50	*$4,129.84*	97.7

Summary:

Actual overhead expenses (from first overhead report)		$183,877.64
Overhead earned (as above)		178,671.66
Total overhead loss (see note below)		$8,205.98
Ratio of loss to standard	($ 8,205.98)	
	($178,671.66)	4.6%

NOTE:—The total overhead loss arrived at as above, $8,205.98, is equal to the sum of the losses on both overhead reports ($4,076.14 + $4,129.84).

Fabric Costs

The mill costs of various fabric styles are obtained by accumulating the proper standard operation costs, but it is necessary to adjust each of these for the waste of subsequent operations. For example, 1,000 pounds of card sliver may carry a standard mill cost of 3c per pound produced at the cards, but when this material gets into cloth there may be only 900 pounds left, so that the mill cost of the sliver in cloth must be adjusted accordingly.

General Financial Accounts

There are still some who apparently believe that tying in the costs with the general accounts is an unnecessary procedure, that costing production is something apart from the bookkeeping. Nothing could be further from the truth. The general accounts are kept to determine final profits or losses, which obviously cannot be arrived at without consideration of cost. In other words, profit or loss from the sale of goods must always be the difference between the cost of the goods and the amount received for them. In the standard cost system outlined in this article, the labor and overhead losses and gains, as already pointed out, are the differences between the standard and actual costs. They are entered in accounts set up for that purpose and form the connecting link between the costs and the general accounts.

Standard costs are of great assistance in the preparation of monthly financial statements without the trouble and expense of monthly physical inventories, chiefly because they facilitate the determination of the total cost of goods produced and of goods sold during a month. With these two items known, and with a well-arranged set of accounts, such statements may be readily prepared so that essential details of progress, or lack of it, in a company's affairs are constantly before the management.

To sum up, these methods are designed to bring to the attention of the management adequate information relative to current operations before it is too late to take whatever corrective measures may be indicated and are possible. While this description has been confined to a cotton mill application, the principles involved may be readily adapted to the purposes of any sort of textile mill.

The Accounts of a Lumber Mill

By CHARLES ONDRICK

(*New York Office*)

The purpose of this article is to give the reader a general outline of the operations and accounts of a lumber mill, and a few of the accounting problems encountered in this industry.

Operations of the average lumber mill may be divided into the two general classes of logging operations and mill operations. The following describes the operations and accounting procedure of a type of mill operating off the Atlantic seaboard.

Logging Operations

The first step consists of the actual felling of the trees by timbermen. The tree trunks are then cut into logs of standard length. A daily report is made of logs cut, containing details of the location of the logging operations, marks and numbers and the estimated board measure (log scale).

The next step in operations is hauling the logs from the stump to the loading station, this being performed by the use of heavy steel cables running upon drums which are operated by steam or gasoline engines. This operation is known as "skidding."

The logs are then placed in a flat car and locomotives are used for the purpose of hauling the loaded cars to their destination. In some instances, the distance between the place where the timber is cut and the lumber mill is connected directly by trackage, thus affording quick delivery from the woods to the mill, at a minimum cost. Instances are also found where the logs are first hauled to a waterway from which they are in turn loaded onto lighters and then towed by tugs to the mills.

On reaching the mill the logs are usually dumped into the mill pond awaiting sawing by the mill, or directly unloaded from the flat cars or lighters to the log deck, at which point log scale measurements are again taken so as to obtain a check on the first measurement made in the woods and also for the purpose of reporting the logs being put into the logs in pond-inventory account.

Mill Operations

After measurement the manufacture of lumber begins. This involves sawing the logs into boards of specified dimensions, edging off the bark, trimming defective ends, grading the product into standard classes and then hauling the boards to the lumber yard for piling and air drying. A large portion of the waste in manufacturing the logs into boards is utilized as fuel in running the mill.

The length of time necessary for air drying depends upon the thickness and character of the timber as well as the climate. To expedite seasoning many mills use the process known as "kiln drying," which involves placing the boards in a chamber fitted with steam pipes, and, through the application of heat, the moisture is drawn therefrom.

Chart of Accounts

A chart of accounts similar to one used in a lumber mill of moderate size is given in the succeeding pages, and on another page is shown a diagram of the progression of operations from the standing timber to the finished lumber and the groups or classes of costs incurred in the course thereof.

BALANCE SHEET ACCOUNTS:

Account Number	
	Cash
100	Cash on hand
101	Cash in banks
	Accounts and Notes Receivable
200	Accounts receivable—trade
201	Allowance for freight
202	Notes receivable—trade
203	Allowance for doubtful accounts
204	Accounts receivable—sundry
	Inventories
300	*Standing timber
301	*Allowance for depletion
302	Logs in pond
303	Lumber on hand
304	Supplies on hand
	Fixed Assets
400	Land
401	Buildings
402	Machinery and equipment
403	Transportation equipment
404	Furniture and fixtures
450	Allowances for depreciation
	Other Assets
500	Prepaid insurance
501	Prepaid taxes
502	Prepaid interest
	Liabilities
600	Notes payable
601	Accounts payable
602	Loans payable
603	Federal income tax payable
604	Dividends payable
605	Accrued wages
606	Sundry accruals
	Capital
700	Capital stock—preferred
701	Capital stock—common
	Surplus
800	Surplus
801	Dividends paid
802	Profit and loss

*In the balance sheet accounts 300 and 301 are to be included in the Fixed Assets group. They appear under Inventories in the chart of accounts merely for convenience because of standing timber being the starting point for the costs of logs and lumber.

INCOME AND EXPENSE ACCOUNTS:

Account Number	
	Income
3000	Sales of lumber
3001	Miscellaneous sales
	Cost of Sales
4000	Manufacturing control
4001	Cost of lumber sold
4002	Cost of miscellaneous sales
	Shipping Expenses of Finished Lumber
5000	Loading lighters from yard
5001	Inspection
5002	Taking down from stacks
5003	Tractor expense
5004	Towing to railroad siding
5005	Superintendence
	Selling Expenses
6000	Salesmen's—salaries
6001	Salesmen's—traveling and entertainment
6002	Salesmen's—commissions
6003	Advertising
6004	Collection expense
6005	Miscellaneous
	General and Administrative
7000	Salaries of officers
7001	Office salaries
7002	Office supplies
7003	Stationery and printing
7004	Telephone and telegraph
7005	License taxes
7006	Insurance
7007	Legal and accounting
7008	Depreciation—furniture
7009	Miscellaneous
	Other Deductions
8000	Interest paid
8001	Federal income tax
8002	Organization expense
	Other Income
9000	Interest received
9001	Rent received

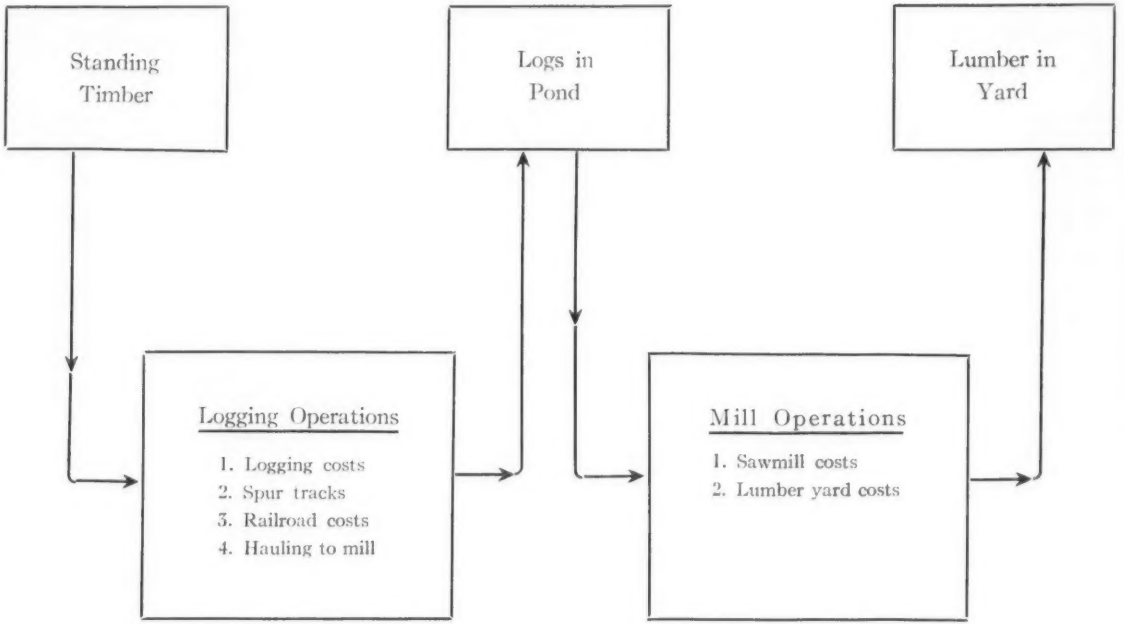
MANUFACTURING ACCOUNTS:

Account Number	
4000	Manufacturing control (control for Accounts Nos. 1000 to 2000)
	Logging Operations—Woods
1000	Stumpage
1100	Cutting
1200	Skidding (from woods to railroad)
1300	Spur tracks
1400	Railroad operation
	Logging Operations—Transportation
1500	Loading to lighters
1600	Towing to mill
	Mill Operations
1700	Unloading at mill
1800	Sawmill
1900	Sorting shed
2000	Lumber yard

SUBCLASSIFICATION OF MANUFACTURING ACCOUNTS:

Account Number	
	Cutting
1101	Labor
1102	Supplies
1103	Superintendence
	Skidding
1201	Labor
1202	Supplies
1203	Superintendence
1204	Fuel and oil
1205	Wire rope
1206	Depreciation
	Spur Tracks
1301	Labor
1302	Supplies
1303	Depreciation
	Railroad Operation
1401	Locomotive—labor
1402	" supplies
1403	" fuel
1404	" repairs
1405	Depreciation
1406	Insurance
1407	Superintendence
	Loading to Lighters
1501	Labor
1502	Supplies
1503	Fuel and oil
1504	Repairs
	Towing to Mill
1601	Labor
1602	Fuel and oil
1603	Meals
1604	Insurance
1605	Supplies
1606	Depreciation
	Unloading at Mill
1701	Labor
	Sawmill
1801	Labor
1802	Bonus
1803	Fire room
1804	Depreciation
1805	Supplies and repairs
1806	Insurance
1807	Superintendence
	Sorting Shed
1901	Labor
1902	Insurance
1903	Superintendence
1904	Maintenance
	Lumber Yard
2001	Hauling to yard
2002	Stacking
2003	Roads and pile bottoms
2004	Superintendence
2005	Maintenance
2006	Insurance

Diagram of Movement from Standing Timber to Finished Lumber and classes of costs incurred in the course of such movement



It may be well at this point to discuss some of the more important accounts in use in a lumber mill.

Account 300—Standing Timber: This account represents the book value of the uncut timber owned by the mill.

The account is charged with the purchase price of the tract and all costs incidental to such purchase.

The account is credited, at the close of each month, with the stumpage value of all logs cut and delivered to the pond during the month, this information being obtained from the daily reports of logs put into the mill pond (but see Account 301 below).

At the time the uncut timber is purchased, a "cruise" is usually made by competent appraisers of the estimated quantity of timber in the tract. A formula for ascertaining the number of board feet in a log of given length and diameter is used by many appraisers. This formula, known as the "Doyle rule," is applied by deducting four inches for slab from the small end of the log, squaring one quarter of the remainder and multiplying the result by the length of the log in feet. Applying this rule, a log having a 24-inch diameter at the small end and measuring thirty-two feet in length would be estimated to contain 800 board feet. This rule has been found to be a conservative one, as the actual mill cut usually overruns this estimate.

Stumpage is calculated by dividing the cost of the tract by the estimated board feet (log scale) therein. Assuming that uncut timber is estimated as 500,000,000 board feet and was purchased for $1,000,000, the average price would be $2 per thousand feet. This average price would form the basis of the logging cost in respect to stumpage. The account is kept in feet (log scale) as well as in money value.

For balance sheet presentation the balance in the account is shown as a separate item, being classed as a fixed asset, less accumulated depletion.

Account 301—Allowance for Depletion: An optional course, and in many ways a preferable one, is to credit the stumpage value of logs cut to this account (Allowance for Depletion) instead of directly to Account 300. Under this procedure, Account 300 will show the gross cost of standing timber acquired, and Account 301 will show the accumulated total of the timber cost allocated to the logs cut to date.

Account 302—Logs in Pond: This account represents the cost of logs cut and delivered to the mill pond and is also kept in quantities of board footage, log scale measurement.

This account is charged: At the close of the month with the stumpage value of all logs cut and delivered from the woods—this amount being offset by a corresponding amount credited to Account 300—Standing Timber.

With the month's logging costs comprising the following accounts:

Account	1000	Stumpage
	1100	Cutting
	1200	Skidding
	1300	Spur tracks
	1400	Railroad operation
	1500	Loading to lighters
	1600	Towing to mill

This account is credited: At the close of the month with the value (based on the debits to the account) of logs cut by the mill as shown by summarized daily reports. The corresponding charge from this account is Account 303—Lumber on Hand.

The balance in this account as a rule is not large, since the mill usually manufactures lumber as fast as it is delivered from the woods, thereby keeping the logs in pond at a minimum.

Account 303—Lumber on Hand: This account represents the cost of finished lumber available for sale and is shown on the balance sheet under the caption "Current Assets."

This account is charged: At the close of the month with the value of the logs used, as credited to Account 302—Logs in Pond. With the month's manufacturing mill costs composed of the following:

Account	1700	Unloading at mill (to log deck)
	1800	Sawmill operations
	1900	Sorting shed costs
	2000	Lumber yard costs

This account is credited: With the cost of lumber used by the mill for repairs, construction work, pile bottoms, etc. With the cost of lumber sold for the month.

This account, like the two accounts previously referred to, is kept in quantities as well as values; however, in this case, the quantities are expressed in *actual* board feet, whereas the quantities in the previous accounts mentioned were estimates. The quantities produced are ascertained from the daily mill report of logs manufactured into lumber, and the sales records provide the basis for the credit to the account for board footage sold, the resulting balance representing the quantities on hand.

As mentioned heretofor, the boards are arranged in piles in the lumber yard. Perpetual inventory records by piles as well as grades are kept, supporting the total feet disclosed in Account 303—Lumber on Hand. Where this procedure is followed certain piles of lumber on hand, as indicated by the perpetual inventory records, can be readily verified by physical count. When inventories are kept by grades, the method to be adopted in valuing the grades is a subject of interest. This subject is dealt with in this article under the heading, "Inventory Valuation."

Account 450—Allowances for Depreciation of Fixed Assets: Depreciation is usually provided on a straight line basis wherein the cost of the fixed assets are charged off periodically in equal amounts over the estimated life of the asset, whether the mill is running at capacity or not, but some mills charge depreciation to operations at amounts corresponding to the percentage of exhaustion of stumpage.

Assuming a mill's normal output is fifty million board feet (log scale) and the amount of depreciation annually is fifty thousand dollars, then this amount is equal to one dollar per thousand feet. It is more equitable to charge operations on the basis of board feet produced, at the rate of one dollar per thousand feet (absorbing any difference which may exist between the amount of depreciation absorbed to operations and the amount unabsorbed to profit and loss account), rather than to charge the total amount of depreciation provided direct to operations, thereby distorting unit costs and producing misleading operating results.

* * * * *

It is not the purpose of this article to deal with the procedure and practices used in recording manufacturing costs. To do so would involve an article in itself. It is sufficient to note that manufacturing control accounts are usually kept which are analyzed into further classifications. These classifications may be numerous and are used in the preparation of statements of operating costs, which in turn afford a guide in judging the efficiency of operations. It may be of interest to note

a few accounting problems which arise in lumber mill operations.

Inventory Valuation

In the ordinary mill it is usual to find that various grades of lumber are produced. There are two common bases used in practice in valuing the finished product.

1. Average cost per thousand feet, regardless of grades.
2. Proportional cost method.

Under the first method no consideration is given to the difference in value of various grades of lumber, each grade bearing the same production cost per thousand feet. As shipments of lumber to customers are made the average cost per thousand feet is used for the purpose of costing the shipments out of the inventory, thus leaving all grades at the same average cost. To illustrate further, grade A and grade D will contain the same average production cost of say $22 per thousand feet, although the grades may command a selling price of $35 and $20 per thousand feet, respectively. If more high-grade lumber is sold than low grade, thus leaving a high percentage of low-grade lumber on hand, the result will be to anticipate a profit which is not only unrealized, but which may actually be unrealizable. Conversely, if low-grade lumber is disposed of more rapidly, and the high grade remains in pile, the operations for the period may show a loss. Unless the mill's inventory consists largely of high grade lumber, the amount of low grade being a small percentage, the method just described will result in erroneous conclusions as to net operating results, as well as the improper valuations of inventory on hand at a given date.

Where many grades of lumber are produced the "proportional cost" method should be used. Under this method the board footage manufactured during the month by grades is ascertained. Prevailing selling prices of these grades per thousand feet are obtained, and through the process of multiplication a sales value of lumber manufactured for the month is calculated. The percentage of sales value by grades to total sales value is thus arrived at and these percentages form the basis for distributing, by grades, the costs of producing lumber during the month. The cost price per thousand feet is readily obtained by dividing the distributed costs by the applicable quantities of board feet manufactured.

To illustrate, assume that a mill produced two million board feet of lumber in a month, classified by grades, at a production cost of $40,000. Under the "proportional cost" method the following calculations would be made:

GRADES	Production Board Footage	Selling Price Per Thousand Board Feet	Sales Value	Percentage of Sales Value to Total Sales Value	Distribution of Month's Production Cost By Grades	Cost Price Per Thousand Board Feet
A.....	600,000	$35.00	$21,000.00	38.36	$15,344.00	$25.57
B.....	500,000	30.00	15,000.00	27.40	10,960.00	21.92
C.....	400,000	25.00	10,000.00	18.26	7,304.00	18.26
D.....	300,000	20.00	6,000.00	10.96	4,384.00	14.61
E.....	150,000	15.00	2,250.00	4.11	1,644.00	10.96
F.....	50,000	10.00	500.00	.91	364.00	7.28
	2,000,000	27.375	$54,750.00	100.00	$40,000.00	$20.00

The calculations described above are made monthly, and are used for the purpose of recording in perpetual inventory records, the pro rata costs of lumber produced, classified as to grades. The fact that production by grades of lumber cannot usually be controlled, has the effect, under this method, of changing the unit cost price each month, and consequently changing the unit inventory price of each grade. From the standpoint of judging the efficiency of the mill by comparing unit costs, this is not a disadvantage, as the average costs per thousand feet of all lumber produced can still be obtained without any difficulty.

Under the "proportional cost" method, as shipments are made, they are costed out of the inventory at the average unit cost which prevailed at the close of the previous month. If, however, the shipments for the month exceeded the balance at the end of the prior month, then that portion of the shipments equal to such balance is costed out at the average cost at the close of the prior month, and the remainder of the shipments are costed out at the current month's cost.

This last method results in an inventory value on a basis which will produce a uniform percentage profit or loss for each grade sold, this result not being attained under the "average cost" method. Generally, the "proportional cost" method is to be recommended where grades of lumber are produced which command widely different selling prices.

Capitalization of Carrying Charges to Timber Account

For the purpose of insuring the lumber company of its supply of timber, it is quite usual for it to purchase certain tracts of timber land on which logging operations will not be commenced for a period of years.

The question of capitalizing such items as interest paid, real estate taxes and the like applying to the cost of this investment, during the period of its unproductivity, is a much discussed one. When items of this nature are to be regarded as additions to the original cost, calculations of stumpage to be charged to logging costs when operations begin, should take into consideration the anticipated total of these items, so that they will be proportionately written off as the total area is being logged.

It is the opinion of many accountants, however, that such expenditures do not of themselves enhance the value of the asset and should be treated as expenses, thus leaving only the original cost of acquiring the tract as the asset value of the timber. A conservative policy with respect to items of this character is to be recommended. However, the particular circumstances in each case must be taken into consideration to determine what treatment should be given to such expenditures.

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The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvement; to encourage and maintain a proper spirit of cooperation and interest, and to help in the solution of common problems.

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Cotton Mill Costs

The article in this issue by Mr. Eugene G. Boutelle of our Boston Office is based upon a recent address by him before the Financial Group of the Association of Cotton Textile Merchants of New York. It sets forth the outstanding features of coordinated cost and general accounting systems installed by our firm in a considerable number of northern and southern cotton mills. The southern mill installations have been handled through our Atlanta office.

Effective current control over manufacturing costs is established without undue complication of method by means of standard labor costs and budgeted manufacturing expenses. The results obtained in these installations have been gratifying to our clients and for a considerable number definite and substantial economies have been effected as a result of the information made available as to current operations.

Misleading Captions

The misleading effect of removing from its context an isolated paragraph or two and giving it a startling heading in a newspaper is well illustrated by the

following report which appeared in one of the New York newspapers this month:

Balance Sheets Hide Condition, Says Hoxsey

Exchange Official Hopes to See Them Outlawed

Special to the Herald Tribune

PHILADELPHIA, Jan. 18.—"I hope to live to see the day when published balance sheets of corporations and banks become a misdemeanor."

That statement was made last night by J. M. B. Hoxsey, executive assistant to the committee on stock list of the New York Stock Exchange, at a meeting of the National Association of Cost Accountants at the Broadwood Hotel.

Mr. Hoxsey declared that published balances that appear regularly for public benefit don't tell a thing about the real financial condition of the corporation involved.

"I hope," Mr. Hoxsey stated, "that some genius in accounting will find an alternative for the balance sheet."

Mr. Hoxsey then went on to praise the progress made by proponents of the new stock securities and exchange act despite the fight of those who would legislate against restrictions of new securities.

From the foregoing newspaper report, and particularly from the caption it bore, it might be assumed that Mr. Hoxsey was denouncing the use of balance sheets because of their being deliberately and widely used to deceive the holders of corporate securities. The accountant can readily visualize what Mr. Hoxsey was doubtless seeking to "get over" to his hearers, and were the quoted sentences read in their context unquestionably they would give no such impression as that of the caption of the newspaper report above quoted.

Not only accountants, but also business men generally, understand that the balance sheet has an important function in setting forth the current assets and liabilities and the character thereof. Their relation to each other is an important element in establishing whether the concern is in a sound position, or whether it is encountering stormy financial weather and perhaps heading for the rocks. The amounts of funded debt, with details of interest rates, due dates, and other relevant data, obviously are also vital information regarding the financial position of a business.

When it comes to the property account and similar fixed assets, it is generally understood that the amounts at which they appear in the balance sheet are not—and in the nature of things could not, excepting in a rare and most unusual case—be intended to represent the present or realizable value of such assets. The fixed assets, which are not acquired for purpose of resale but for use in the business, are normally carried into a balance sheet on an investment accounting basis, i. e., at their cost, less such allowances as have been made for their use in the business and/or the effluxion of time in relation to their probable useful life. The remaining balances therefore represent the unrecouped portion of the investment in such assets.

It is safe to assume that one thing Mr. Hoxsey was seeking to emphasize was, not that the balance sheet is valueless, but that under modern conditions the income statement is in many ways of still greater importance, but that this fact may be obscured by attributing to the balance sheet a function which it cannot in most cases perform. For a bank, an insurance company, or a similar financial institution, a balance sheet may reasonably be expected to show approximately the net worth of such an institution. Even in such a case, however, this statement must be qualified if the institution has an appreciable

amount invested in fixed assets like office buildings or other real estate. For the reasons already stated, however, this cannot be expected of the balance sheet of any industrial concern which has manufacturing plants or other fixed property assets.

In addition to the function of setting forth (1) the current financial position, (2) the funded or long term debt position, with the consequent fixed charges periodically accruing therefrom, (3) the unrecouped balance of the investment in fixed assets, and (4) the capital structure, including the relative position of different classes of shareholders, the balance sheet has a function as a control or check on the income statement. This last mentioned function is an important one because it indicates directly or indirectly the expenditures which have been capitalized or which have been deferred for absorption in future periods instead of being charged against the operations of the current period.

Notes

Mr. Gibson addressed the Los Angeles Chapter of the National Association of Cost Accountants on November 20 last, his subject being "Budgetary Control." His address is to appear in the next issue of the L. R. B. & M. JOURNAL.

On November 21 Mr. Staub gave a talk on the Revenue Act of 1934 to the Brooklyn Chapter of the National Association of Cost Accountants. On November 23 he addressed the Connecticut Society of Certified Public Accountants, at its annual meeting in New Haven, on the same subject. On each occasion a period of questions and answers followed the formal presentation of the subject by Mr. Staub.

On the afternoon and evening of November 26 and December 3 the New York Society of Certified Public Accountants devoted a series of four sessions to the consideration of the 1934 Revenue Act. At one of the sessions Mr. Staub spoke on "Important Income Tax Decisions of the Past Year."

Mr. H. E. Bischoff of our New York office addressed the Thursday luncheon club of the Cashiers' Section in the Stock Exchange Club on December 27, on the subject of "Some Important Changes in the Revenue Act of 1934."

At a joint meeting of the Albany Chapters of the New York State Society of Certified Public Accountants and Association of Bank Auditors and Comptrollers, held on December 11, Mr. W. H. Davidson of our New York office spoke on "1934 Developments in Income Taxation."

The Twenty-Seventh Annual Conference on Taxation

By E. E. WAKEFIELD

(Boston Office)

The Twenty-seventh Annual Conference on Taxation under the auspices of the National Tax Association was recently held at the Hotel Statler in Boston.

Without going into detail as to the program, it seems to the writer, who has had the privilege of attending these conferences for a number of years past, that the following notes on the proceedings of the 1934 conference will be of general interest to the readers of the JOURNAL.

The sales tax in various forms for producing revenue by the states was considered at length in one of the sessions. The most striking development in this respect is the rapid spread of use of this tax and the recognition by leading students of taxation in the various universities that under the present extreme need of revenue the theoretical unsoundness of this form of tax may be outweighed by its practical availability. For years the best-informed opinion of the country has been that the sales tax is scientifically unsound because (1) it does not fit the theory of taxation in accordance with the ability of consumers to pay, and (2) it has no proper relation to the profits of business. Under the pressure of present conditions, however, it seemed to be the quite generally accepted view at the conference that even if the tax is bad in theory it is about the only ready means of saving the financial situation for numerous states of the country.

The thought was expressed by a number of speakers that the sales tax may even become a permanent part of the taxing system of various states, particularly those in which dependence on the general property tax has been greatest. Of course, that tax, although still the predominant form of raising local revenues, has become increasingly burdensome in the last few years and the growth of delinquency in payment of taxes on real estate has reached such proportions that in many communities current collections are far from adequate to meet current requirements for running expenses and debt service. The thought was expressed that for a considerable time there will be excellent opportunity for students of taxation to determine whether in practice the benefits of easy collection on a broad basis, helpful in producing "tax consciousness," will make the sales tax a satisfactory tax for permanent use by the states, and perhaps by the federal government, in spite of its recognized defects.

Closely connected with the use of the sales tax is the question of interference with its proper operation by the interstate commerce provisions of the federal law. A movement, starting with hardly any backing a few years ago, to get Congress to permit states to tax sales connected with interstate commerce has gained such headway that a bill for this purpose passed the Senate in the last Congress and failed of enactment only because it did not get by the House. Great pressure is being exercised and will be exercised by legislators in many of the states to bring

about this change in the law so that sales not now subject to the sales tax because they constitute interstate commerce may be reached, the revenues of the states increased, and the burden on business, particularly that carried on near the borders of states, be relieved. Of course there is a strong tendency for residents in a state which has the sales tax to go into an adjoining state to buy, or to buy through mail-order houses. This tends to upset business in a way that it is believed could be avoided if the federal restriction on state taxation of interstate commerce can be removed. A very interesting question is raised as to the validity of any law passed by Congress to remove this restriction. Opinion of students of constitutional law who spoke at the conference was divided, but there seemed to be some preponderance in favor of the idea that the Supreme Court as at present constituted, or as likely to be constituted in the next few years, would approve congressional action giving the states the right to tax interstate commerce.

The control of public expenditures, which every one realizes to be the real key to relief from the present burden of taxation, has been considered in all the conferences held in recent years, but every one seems to be satisfied that in most parts of the country progress in this direction is slow and difficult. In those states which have been worst hit by the depression some reduction of expenses is being made simply because the money cannot be raised through taxes which the people are able and willing to pay. A rather alarming indication of the extent to which inability or unwillingness to pay local taxes has gone is the legislation in some states to exempt all homesteads up to a value of say $5,000. Of course, such legislation is in part promoted by real estate organizations whose members want to be able to sell home property, but it also indicates the willingness of very large numbers of the people of the country to rid themselves, if they can, of the obligation to support the activities of government. In the past it has always been expected that this obligation would be borne in large measure by owners of real estate, even though their holdings were only home properties. It is also disconcerting to realize that thousands of these owners of small homes are being led to believe that they can reduce their tax burden by exemption of homesteads when it is perfectly obvious that if other taxes, such as sales taxes and similar taxes affecting the costs of the necessities of life, are substituted, the real burden on the owners of small homes is increased rather than decreased.

A paper dealing with tax exemptions developed a thought which seems theoretically sound and in accordance with conditions of modern life, but which probably will not receive general acceptance because of the age-long prejudices involved. It was argued that the highest function of the state is to provide protection to the community and the necessary common services, such as good roads, water supply, support of those incapable of self-support, and similar well-recognized activities. Hence, unless any religious, educational or charitable enterprise directly serves some one of these necessary purposes of the state, it is not entitled to the virtual subsidy which it receives through exemption of its properties. It is suggested that only to the extent that their activities do directly accomplish what the state would otherwise have to do, through care of the needy or through furnishing educational

facilities, may such organizations reasonably receive tax exemption, amounting to a direct subsidy from the state.

As an illustration of the principle, the following case was cited: Recently a very wealthy man, who was greatly interested all of his life in the preservation of wild birds, left at his death a very large tract of land and other property for the creation of a permanent bird sanctuary. The suggestion was made that, excellent as it may be for a man to use his property during his life for such a purpose, paying whatever taxes are required, it is distinctly against the interests of the community to permit him to tie up his property forever in tax exempt form by leaving it as a perpetual trust for such a purpose. Thus he deprives the community of the right to receive taxes from such property for uses, on the whole, of greater importance to the community than the maintenance of a bird sanctuary. However, it seems hardly likely that the practice, continued so long and so generally accepted in public thought, of exempting from taxation properties used for religious, educational and charitable purposes, will be discontinued except by the very gradual process of elimination of some exemptions in cases in which the use of the property is not directly and immediately for the exempt purpose.

At the Wednesday afternoon session of the conference the writer read a paper on "Business Taxes." In it he discussed taxation by the states of local subsidiary corporations and the question whether in framing legislation specific provision should be made for the right to tax the local subsidiary on a portion of the assets or income of the whole group determined from income statements or balance sheets of the consolidated group. He recommended that, except in cases in which it is clear that the local company is not properly reporting its assets or income, or in which there is evidently bad faith on the part of the subsidiary and the parent corporation, it will be wiser to provide, in general, for the taxation of local subsidiaries on the same basis as that for independent companies. He advocated, however, the inclusion of a broad provision in the statute under which, if the authorities find bad faith or failure properly to report the business of the subsidiary, they may determine a proper tax with reference to the actual business and property of the subsidiary within the local jurisdiction.

He also suggested that if the local subsidiary is taxed on income, the measure of income be as nearly as practicable the same as for the federal income tax, and thus avoid complications for the taxpayer and the necessity of a separate body of law for the state tax. He urged those who frame the business tax statutes and the administrators of the laws to make the requirements in tax returns as simple as a fair basis of tax will permit, in order to save the great waste of effort on the part of taxpayers and accountants in preparing information submitted to the various states in tax returns, which is caused if both the statute and the administrative regulations are not so carefully framed that the information to be furnished is limited to what is essential for determining the tax.

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